



# Public Policies

Published by the Missouri Department of Insurance

Vol. VI, No. 4

P.O. Box 690, Jefferson City, MO

June 2001

## Gov. Holden to call September special session to address prescription drug issue for seniors

Gov. Bob Holden will call the Missouri General Assembly back into session in September to approve financial relief for seniors with high prescription drug bills.

The Senate failed to address a bipartisan plan, approved by the House, that would have provided financial help for individuals earning up to \$15,000 annually and married couples with less than \$25,000 in income.

Holden said he will appoint a bipartisan task force this summer to study potential compromises between the House's direct subsidy proposal and a Senate plan, which would have relied on premium subsidies for private insurance plans that offered prescription drug benefits only.

Holden named Lt. Gov. Joe Maxwell, Missouri's statutory advocate for the elderly, as chairman of the task force in late May. Holden noted that the issue remain urgent, with new figures showing the average monthly cost of top-selling drugs rose almost 10 percent last year. The remaining task force membership has not been announced.

The administration supported the House legislation, sponsored by Rep. Mark Abel, D-Festus, but had hoped to trim the annual cost to about \$50 million from more than \$80 million for the current prescription drug tax credit, which all parties want to repeal.

Despite the failure of the prescription drug bill, the Department of Insurance enjoyed an unusually successful legislative session, including passage of a women's health initiative that covers virtually all commercial health insurers.

HB 762, sponsored by House Speaker Jim Kreider and Sens. Ken Jacob and Betty Sims, requires insurers to allow women direct access to obstetricians and gynecologists, to cover contraceptives if they offer drug benefits and to extend benefits for diagnosis and treatment of osteoporosis and breast cancer, among other illnesses.

The changes, effective for new and renewed plans on or after Jan. 1, 2002, will affect group, individual and HMO policies covering 2.9 million Missourians.

Holden- and MDI-backed proposals to protect medical privacy were victims of the final hours of the session, but the General Assembly approved legislation that allows MDI to safeguard the privacy of financial information that consumers provide to insurers. HB 801 and SB 382 allow MDI to enforce standards set under the federal Gramm-Leach-Bliley act.

Also gaining approval were these insurance-related bills:

- HBs 328 and 88, the first major rewriting of Missouri's

managed-care laws since the passage of 1997's reform act. Included are provisions to strengthen Missouri's "prompt-pay" requirements for claims owed to providers, including expanded powers for MDI to penalize delinquent insurers.

- HB 193, which eliminates the distinction between insurance agents (representing the insurer) and brokers (representing the insured). Instead, these licensees will become insurance producers.

- SB 605, which increases the premium tax bonding requirement for surplus lines brokers to \$100,000 or the amount owed the previous year, up from the current \$10,000.

- HB 664, which re-enacts Missouri law on charitable gift annuities. The original legislation, passed in 1996, was ruled unconstitutional two years later because it covered more than one subject.

- HB 459, which extended to the year 2005 Missouri's moratorium on the use of claims estimation to compel payment in receivership liquidations, which expired at the end of 2000.

On the Internet, go to <http://www.house.state.mo.us/bills01/SEARCHBN.HTM> to search for the status, full bill texts, summaries and fiscal notes for legislation.

❖

# Missourians should follow simple rules after disaster to make recovery easier

By Scott B. Lakin, Director  
Missouri Department of Insurance

Missouri bears scars from its location near the clash of cool Canadian air and warm, humid gusts from the Gulf.

April 18, 1880 spawned a series of 24 tornadoes, killing 99 and leveling the communities of Marshfield and Licking. Another "cyclone" took aim at St. Louis May 27, 1896, leaving a toll of 255 dead, including 40 on one street alone south of downtown.

Storms formed bookends for the summer of 1927, the most lethal year for tornadoes in state history. A May twister took three minutes to pass through Poplar Bluff, killing 83 there and 10 elsewhere, causing a devastating \$2 million in damage. That September, 72 died in St. Louis, and property damage mounted to \$22 million.

But none of these events compared to March 18, 1925.

The turbulent conditions near Ellington, in south-central Missouri, gave birth to the deadliest single tornado in U.S. history. More than three hours later, the F5 tornado had torn a average mile-wide swath 291 miles long through Missouri and Illinois to near Petersburg, Indiana, lashing residents with winds exceeding 300 miles per hour.

The Tri-State Tornado obliterated two towns down to building foundations, and 695 persons lay dead in three states, while more than 2,000 were injured.

The 1925 disaster of March 1925 helped give birth to a national weather warning system, which today has done much to save lives. But the danger and concern about property damage continues, especially during these otherwise glorious weeks of spring.

In an average year, Missourians can expect more than two dozen tornadoes, three deaths and about 50 injuries plus an average of \$68 million a year in damages. That does not reflect the costs of other wind storms, floods, hail damage, lightning and ice storms.

Following a half-dozen simple rules can help reduce the hassle, delays and seeming helplessness that storm victims often feel:

1) Check for any injuries and conditions, like fallen power lines or broken gas lines, that will make cleanup dangerous. Remember: money can replace

lost property; it cannot replace a human life or reverse permanent disabilities.

2) If your property is no longer secured, try to remain on the premises. Take steps to keep further damage to a minimum, such as covering broken windows or holes in the roof. Otherwise, the insurer may refuse to pay for subsequent damage from water.

Keep receipts on these temporary repairs to submit for reimbursement.

3) Contact your agent or insurer. Keep a record of the time, date, topic and name of the person you talk to every time you call. Major disasters can swamp local agents, and larger companies often set up mobile units as bases for contingents of adjusters. Pay attention to local media announcements and

ads about special arrangements.

4) Ask whether your policy covers living expenses, such as hotel or food bills, if your home is uninhabitable.

5) Make a list of all personal property destroyed or damaged. The wise homeowner keeps an inventory of property, with purchase price, date and place, in a safe place, and that list can serve as a master for detailing your damages.

6) Assess whether the proposed monetary settlement is reasonable. You may be approached by a state-licensed public adjuster who wants to represent you in negotiations with the insurer.

Do not sign an agreement with a public adjuster, however, before the insurer has made its own estimates and settlement offer. Public adjusters generally charge a percentage of the full settlement as their fee. Consider hiring a public adjuster when you anticipate any settlement increase will exceed the public adjuster's cost.

MDI cannot help you negotiate a settlement, but the department can assist when:

- The agent or company does not respond to your calls, either before or after you file a claim. If you cannot make contact within 48 hours, consider calling MDI.

- The company does not provide temporary lodging and other assistance specified in the policy.

(See *disaster*, p. 3)



# Routh to supervise MDI consumer services

Andrea Routh, a longtime state health-care policy adviser, will join the Missouri Department of Insurance (MDI) staff May 16 as legal counsel supervising services to insurance policyholders and other consumers.

"Andrea will draw on an impressive public policy career to help expand and upgrade services to consumers, who face new and more sophisticated challenges in the insurance and financial services marketplace," MDI Director Scott B. Lakin said.

"She has extensive policy experience in health care and health insurance, which promises to change even more rapidly than the developments Missourians saw during the 1990s."

Routh was policy development director for the late Gov. Mel Carnahan from 1995 to 1997, Missouri Division of Aging director until early 2000 and most recently deputy director of the Missouri Department of Social Services' legal services division. There, she managed the administrative hearings officers and the department's Office of Civil Rights.

Before joining the Carnahan administration, Routh served as an assistant to the Missouri House speaker pro tem and executive director of the Joint Legislative Committee on Health Care Policy and Planning.

Lakin, who became MDI director in March, served as chairman of that joint legislative committee during Routh's tenure.

Routh will oversee the MDI consumer services section, which investigated 4,559 formal consumer complaints in 2000, answered 59,194 inquiries and recovered \$7.4 million for consumers, largely in disputes over claims. The section also operates the MDI Consumer Hotline — 1-800-726-7390 — serves as liaison to the medical organization that reviews the denial of medical services to HMO enrollees and other health insurance policyholders.

Routh succeeds Chris Kehr, who moved to the post of legal counsel for the department's market conduct section, which audits the market operation of insurers.

The consumer services and market conduct sections are closely related; the market conduct officials target their reviews based, in part, on the level of consumer complaints and results of investigations that suggest a pattern of misconduct.

Kehr joined the department as a senior legal counsel in 1993 and became legal counsel for consumer services in late 1999.



## Disaster

(continued from p. 2)

· The insurer contends damage is not covered.

· Adjusting and payment do not meet legal deadlines. In a typical instance, the company has a maximum 10 days to acknowledge a claim, 30 days to investigate and 15 days to pay or deny the amount.

MDI cannot serve as judge and jury on disputes about value of the damage. But because MDI licenses agents and insurers, it can mediate disagreements about contract language and state legal requirements on coverage.

Our consumer service representatives can explain how the fine points of the law relate to your specific circumstances. Call toll free 1-800-726-7390 or file an inquiry or complaint on our Internet site, [www.insurance.state.mo.us](http://www.insurance.state.mo.us). You can learn whether your case is typical, the insurer's actions are lawful or you need to take action.

That kind of MDI help has collected more than \$16 million in reimbursements for consumers, usually from unsatisfactory settlements or claim denials, over the past two years.



## Holden signs financial privacy law

Gov. Bob Holden signed into law House Bill 801 and Senate Bill 382, companion measures that protect the privacy of financial information Missouri consumers give to insurers.

The legislation allows the Missouri Department of Insurance (MDI) to enforce federal privacy standards included in the Gramm-Leach-Bliley law of 1999. Federal agencies monitor compliance for most banks and other financial institutions, but states had until July 1 to adopt an enforcement plan for insurers.

Under the legislation, insurers must disclose their privacy policies and allow new customers to prohibit the sharing of their personal financial information with unaffiliated companies as of July 1. Insurers have until mid-2002 to allow existing policyholders to do the same.

Holden said the legislation will "go a long way toward protecting personal financial information of Missourians."

MDI Director Scott B. Lakin described the legislation as "very pro-consumer" and added that, by adopting the federal standards, Missouri can help make requirements here more uniform for insurer compliance.

Sen. Anita Yeckel, R-St. Louis County, and Rep. Chris Liese, D-St. Louis County, sponsored the legislation.

Liese cited the work of MDI legislative liaison Marsha Mills and American Family Mutual lobbyist Dave Monahan in working out a key agreement that eased passage of the bills.

Copies of the legislation are available on the Internet at [www.house.state.mo.us/bills01/biltxt01/truly01/HB0801T.HTM](http://www.house.state.mo.us/bills01/biltxt01/truly01/HB0801T.HTM) and [www.senate.state.mo.us/01info/billtext/tat/SB382.htm](http://www.senate.state.mo.us/01info/billtext/tat/SB382.htm). (The language is identical.)

MDI plans as well as emergency and proposed rules to implement the law will be posted with links from the home page as that information becomes available. Sign up for the MDI List on the home page to receive updates. To ask specific questions about MDI plans, send the inquiry in an e-mail to [askmdi@mail.state.mo.us](mailto:askmdi@mail.state.mo.us) labeled as "GLB financial privacy," but please do not anticipate an answer until plans are final.



## General American class-action order appealed in U.S. Court

Eastern District U.S. Judge Catherine D. Perry's order accepting a \$55 million class-action settlement involving General American Life's deceptive sales practices has been appealed to the U.S. 6th Circuit Court of Appeals in St. Louis. The appellant is a General American policyholder.

The appellant's briefs were to be filed by June 4, and oral arguments are expected in late summer or early fall. Until these appeals are exhausted, the class-action settlement and related MDI market conduct examination are not final.



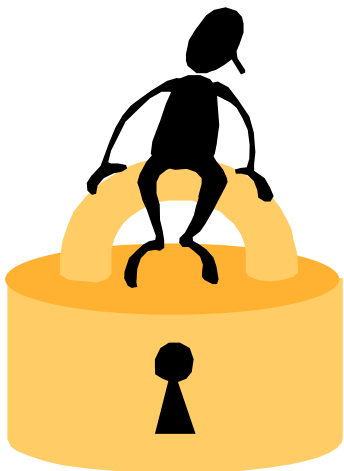
## Steen joins MDI

Stacy Steen has joined MDI's staff as administrative assistant to Director Scott B. Lakin.

Steen comes to the department from the Missouri House where she was legislative assistant to Rep. Glenda Kelly and, during the previous two years, for Lakin. She also has worked for the Department of Elementary and Secondary Education and the Missouri Funeral Directors Association.

She will handle Lakin's schedule and related duties.

Steen's predecessor, Diane Springs, continues with MDI as an aide to Deputy Director Keith Wenzel, Assistant Director Kevin Jones and Marsha Mills, the resource administration division director and legislative liaison. Springs's new number is 751-2562, which also functions as a central phone number for Wenzel, Jones and Mills.



## Free homeowners insurance guides can help identify hundreds of dollars in potential savings

The Missouri Department of Insurance's new homeowners insurance rate guides show Missourians can save up to several hundred dollars a year on comprehensive coverage by shopping wisely.

The department also released updated premium guides for full replacement, limited homeowners, mobile home, renter and earthquake coverage in 24 communities across the state; rates are available for 86 Zip Codes on the MDI Internet site at [www.insurance.state.mo.us](http://www.insurance.state.mo.us).

The state's high-volume insurers provided the prices, effective January 1, 2001, in response to a department survey. Consumers can obtain the guides at no charge.

"Consumers periodically should check how their homeowners insurance rates compare with similar coverage from other insurers in that area — probably every two to three years," said Scott Lakin, the department's director. "The guides indicate that the potential savings can reach hundreds of dollars a year."

The guides are designed to illustrate the premium cost range that can exist within a community.

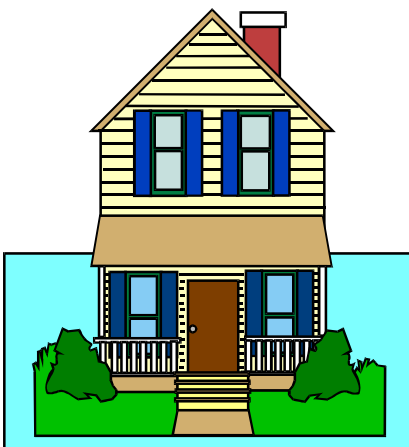
- Annual premiums can range from \$281 to \$708 for a \$150,000 home in Kansas City.

- Rates can vary from \$110 to \$245 for \$40,000 of renters

insurance in Farmington.

- An owner could pay from \$351 to \$738 for a \$150,000 home in Branson.

Five series — comprehensive homeowners, full replacement homeowners, limited homeowners, mobile home, and renters guides — are available



for these communities, although the pricing often is applicable to nearby areas, too:

- St. Louis Region — St. Louis City (two Zip Codes), Ferguson, University City, Valley Park and Wentzville.

- Kansas City Region — Kansas City, Gladstone, Independence, Raytown, Grandview and Blue Springs.

- Springfield Region — Springfield, Republic, Branson, Osage Beach, Rolla and Carthage.

- Outstate Missouri — Jefferson City, Columbia, New

Madrid, St. Joseph, Poplar Bluff and Hannibal.

These comprehensive policies are based on premium costs for wood frame homes (brick or other masonry construction usually is less expensive), with full replacement value. The policies cover perils such as fire, wind, lightning, smoke and freezing damage as well as personal contents. The home values range from \$45,000 to \$150,000.

The guide for limited homeowners insurance shows premiums based on actual cash value (market value less depreciation) — rather than replacement value — as well as coverage of personal property.

The mobile home guide illustrates policies for structures ranging from \$15,000 to \$40,000 in value.

All rates are based on \$500 deductibles and differing fire protection classes, which can have a substantial effect on rates.

Although the rates shown are provided by insurers, they have the right to reject applicants under Missouri law.

To order a homeowners, mobile home or renters insurance guide, or a guide to surviving severe weather, call the toll-free MDI Consumer Hotline at 1-800-726-7390 or write the MDI Division of Consumer Affairs, P.O. Box 690, Jefferson City, MO 65102-0690. Metropolitan residents can contact MDI branch offices at

(See *insurance guides*, p. 6)

## insurance guides

(continued from p. 5)

314-340-6830 in St. Louis or 816-889-2381 in Kansas City. Telephone services (TTD) for the hearing impaired are provided at 573-526-4536.



## Annual earthquake guides available

MDI also has released two updated earthquake guides, one for southeast Missouri and another for the rest of the state. The earthquake guides cover 12 communities. Earthquake coverage generally is purchased as an extra rider from the same company issuing the homeowners policy; consumers need to add basic coverage and earthquake premiums to calculate a total rate.

The earthquake guides cover:

- Northern and western Missouri — Kirkwood, St. Louis, St. Charles, Lee's Summit, Springfield and Columbia.
- Southeast Missouri — New Madrid, Sikeston, Poplar Bluff, Cape Girardeau, Farmington and Piedmont.

The two versions of the survey show premium quotes for an earthquake endorsement or rider on a comprehensive (HO-3) homeowners policy that would cover dwellings and personal property damage from a quake. Rates are shown for homes with \$45,000, \$60,000, \$100,000 and \$150,000 replacement values. ♦

# MDI Regulatory Actions



April 2001

## Legal Action - Agents, Agencies and Brokers

*The following forfeited \$100 each for failure to respond:*

*Timothy W. Due, Blue Springs, MO.*

*Commonwealth Land Title Insurance Co., St. Louis, MO.*

*Hathcock Title Inc., West Plains, MO, \$600 forfeiture for demonstrating lack of fitness or trustworthiness, no license and failure to respond.*

*Investors Title Co., Clayton, MO, \$200 forfeiture for failure to respond and demonstrating lack of competence.*

## Company Changes

*Allegiance Insurance Co., Springfield, IL, changed its name to Horace Mann Property & Casualty Insurance Co.*

*American Credit Indemnity Co., Baltimore, MD, changed its name to Euler American Insurance Co.*

*American Fidelity & Liberty Insurance Co., Warrington, PA, changed its name to A F & L Insurance Co.*

*American National Fire Insurance Co., New York, NY, changed its name to Great American Insurance Co. of New York.*

*Anthem Life Insurance Co. of Indiana, Worthington, OH, changed its name to Anthem Life Insurance Co.*

*BMA SelectCare, Kansas City, MO, merged with Blue Cross and Blue Shield of Kansas City.*

*Bradford National Life Insurance Co., Washington, DC, changed its name to ULLICO Life Insurance Co.*

*Capitol Bankers Life Insurance Co., Hartford, CT, changed its name to Annuity & Life Reassurance America Inc. and redomesticated from Michigan to Connecticut.*

*CompDent Insurance Co., Rosewell, GA, changed its name to Comp Benefits Insurance Co.*

*Halycon Insurance Co., Mayfield Village, OH, changed its name to Progressive Halcyon Insurance Co.*

*Harbor Specialty Insurance Co., New York, NY, added*

(See Regulatory Actions, p. 7)

## Regulatory Actions

(continued from p. 6)

property, accident and health, and miscellaneous authority.

*Heritage Mutual Insurance Co.*, Sheboygan, WI, changed its name to *Acuity A Mutual Insurance Co.*

*McCamish Systems LLC*, Atlanta, GA, was admitted as a TPA.

*The Medical Assurance of Missouri Inc.* merged with *The Medical Assurance Co.*

*PMA Reinsurance Corp.*, Philadelphia, PA, changed its name to *PMA Capital Insurance Co.*

*Rocky Mountain Life Insurance Co.*, Worthington, OH, merged with and into *Anthem Life Insurance Co.*

*Sentry Select Insurance Co.*, Stevens Point, WI, redomesticated from Illinois to Wisconsin.

*Sydney Reinsurance Corp.*, New York, NY, changed its name to *QBE Reinsurance Corp.*

*TriSource Healthcare, Inc.* d/b/a *Blue Advantage*, Kansas City, MO, merged with *Blue Cross and Blue Shield of Kansas City*.

*United Independent Life Insurance Co.*, Chicago, IL, changed its name to *Physicians Benefits Trust Life Insurance Co.*

*Zurich Protector Forsikring AS*, New York, NY, withdrew from surplus lines eligibility in Missouri.



## Show-Me Insurance

You can sign-up to receive the latest edition of **Show-Me Insurance**, Director Scott Lakin's bi-monthly column, at [www.insurance.state.mo.us](http://www.insurance.state.mo.us).

While there, you can also subscribe to the MDI List, which provides automatic updates on MDI news and web site changes.



## Public Policies

published by

Missouri Department of Insurance  
301 W. High Street • P.O. Box 690  
Jefferson City, MO 65102-0690

\* \* \*

**Governor Bob Holden**

\* \* \*

**Director:**  
*Scott Lakin*

**Editor:**  
*Randy McConnell*

**Associate Editor:**  
*Melissa Becker*

*Public Policies* serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

*If you have comments or questions, please send them to Melissa Becker, associate editor, P.O. Box 690, Jefferson City, MO 65102-0690 or call 573-526-2946.*

## Personnel

---

### Departures

*Michelle Parks*, clerk typist II  
*Linda Meyer*, financial examiner

### New Hires

*Leslie Dewey*, account I/surplus lines examiner  
*Elizabeth Holdgraf*, consumer services specialist I-  
KC Branch Office  
*Craig Leonard*, market conduct, EIC  
*Andrea Routh*, consumer services section supervisor  
*Stacy Steen*, administrative assistant to the Director

### Promotions

*Jim Mealer* to market conduct audit manager  
*Angel Benton* to clerk typist III in financial analysis

### Employee Spotlight Jim Mealer

Jim Mealer has been promoted to market conduct audit manager. Mealer has been with MDI for more than 10 years.

Mealer will oversee exams of life and health insurers as well as HMOs. Mealer, an examiner-in-charge since 1996, has supervised a team that reviewed all operational aspects - marketing, claims and underwriting - of insurance companies to ensure fair and equitable treatment of consumers.

Current issues in the area include proper claim handling by insurers, HMOs and third party administrators; and prompt payments to providers.

Mealer has been heading a major multi-state exam into a health insurer.



---

**Missouri Department of Insurance**  
**P.O. Box 690**  
**Jefferson City, MO 65102-0690**

---